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PUBLIC SERVICE CORPORATIONS OF NEW ORLEANS

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As in most of the cities of the United States, the public service corporations of New Orleans furnish the city with electric light and power, gas, telephone service, street railway transportation, and water.

Electric Light, Power and Gas.—Electric light, power and gas are furnished by private corporations, which have obtained franchises from the city. These are not exclusive grants and do not contain provisions regulating the cost of service. In the commercial section of the city there are two companies furnishing electricity, and as a result of the competition the cost of the service in that section is much less than it was before the competing corporation began operations. The cost in that district is also much less than it is in those sections where the competitor has not yet laid its wires. The wires of both companies are laid in underground conduits in the commercial districts, elsewhere they are as yet strung on unsightly poles above ground. I am not prepared to discuss why this is permitted, or why the company—whose lines extend all over the city—is permitted to charge more for current in the sections of the city where it has no competition, than in the other portion where it must meet the rates of a rival.

The gas company has no competition at all, because there is only one company, and its plant is leased by one of the corporations furnishing electric current. Notwithstanding this, the cost of gas is now much less than it was before the gas works were leased to the present corporation, the price since 1905 being \$1.15 per thousand, against \$3.33 in 1897. The decline was gradual. The company furnishes gas for illumination and other purposes at the same rate, though down to 1902, the rates charged for the two kinds of service differed greatly, notwithstanding that all gas was delivered through the same mains and pipes, but through different meters.

Telephone Service.—Telephone service is also furnished by a private corporation, operating under a franchise which is not exclusive. Several years since a franchise was granted to a competing corporation, and for a short time we had lower prices and all the trouble incident to a double telephone service. Business concerns were compelled to use both systems, many residences did the same thing, and though each service cost less than now, the total expense to the public was greater. As far as I am informed these franchises were granted without compensation, but there is some obligation to furnish service for the various offices of the municipality at certain rates. The present company has done away with its competitor, though the franchise of the latter was drawn to prevent amalgamation. The service is generally declared unsatisfactory, though of late there appears to be some improvement. The rates are perhaps not higher than those prevailing in other cities as large as New Orleans.

Street Railway Service.—The entire street railway service of the city is at present controlled by a single corporation. Until a few years ago, this service was furnished by several independent companies, which to some extent at least, competed with each other. This partial competition resulted in service superior to that which is furnished now.

Even so conservative a journal as the *Times-Democrat*, a few weeks since, found it proper to say that it was necessary to do much "to change the deplorable conditions" into which the service has fallen. The strictures from less conservative sources and the public generally are much more severe. The street railway service of the city presents some peculiar phenomena. There are about 325 miles of street railways in this city. Before the consolidation these were owned by perhaps fifteen different companies, most of which were paying dividends on the stock, and at the same time furnishing excellent service. By some transaction peculiar to high finance, all but a very small part of the stock in all these companies was acquired by the new company, the capitalization was largely increased, bonds were issued, etc., but although expenses of management were cut down and other economies were made possible by the consolidation, and although the city has gained considerably in population, and the cars are crowded with passengers, as they never were before, the company's preferred stock is down to about

\$25.00 a share, while its common stock is at present about \$10.00 a share, and, during the height of the money stringency last fall, sold at about \$6.00 a share.

One finds it difficult to understand this. To repeat, the receipts of the company have increased, still its rolling stock and roadbed have deteriorated. The only possible explanation is, that the bonds of the company—on which interest has always been paid—really represent the entire present value of the plant. Stock represents the future possibilities. The franchises of the company are very valuable. As each one expires, it must, under the law, be sold by the city to the highest bidder. The only stipulation in those franchises is that cars must run on a certain schedule. These schedules are, however, so generous to the company, that it can easily comply with them, and yet furnish a service far from adequate. It may be added that the same corporation which runs the street cars, owns the “electric light and power company,” and has leased the gas works. It will, therefore, be apparent that it is in fact, if not in name, a monopoly.

Water Supply.—The water supply of the city is at present, and has been for several years past, in the hands of a corporation, whose franchise was annulled by decree of court. Its affairs are at present conducted by a receiver, appointed in the federal courts, at the instance of a foreign bondholder. The whole subject is interesting, and a brief historical review may not be amiss. By an act of the legislature, approved April 1, 1833, the Commercial Bank of New Orleans was incorporated and charged with the duty of providing a waterworks plant and system for the City of New Orleans, which it immediately proceeded to do. By the terms of the act, the city subscribed five hundred thousand dollars to its capital stock, and paid for the subscription by issuing to the bank its bonds for that amount, bearing five per cent interest and due in forty years. The Commercial Bank ceased doing a banking business many years ago. It laid in the streets of the City of New Orleans about sixty-five miles of water pipes. On the 19th of January, 1869, it sold and transferred the water works to the City of New Orleans and the city, in payment therefor, issued to the bank its bonds to the amount of one million ninety-three thousand and four hundred dollars, bearing 5 per cent interest and due in thirty years.

The city operated the works from January, 1869, until the 9th of April, 1878, at a loss. The engines, pumps and pipes were very much out of repair, much favoritism was shown. Although the city was growing, the pipes were not extended into the newly built-up portion of the city. By Act 33, of 1877, the "New Orleans Waterworks Company" was created, with a nominal stock of two million dollars. The charter contained the provision that the company should not charge more for the supply of water to the inhabitants than the City of New Orleans had charged previous to the 9th of April, 1878, and that it should extend the water pipes through all of the streets then inhabited, and from time to time, through such streets as might be built up, whenever the income from the sale of water would equal 10 per cent of the cost of the extension. The stock was issued to the city, and the city in exchange therefor issued its own outstanding bonds and floating indebtedness, ultimately retaining, and at present holding, three thousand nine hundred and twenty-seven shares out of the total twenty thousand shares.

The company then began operating the waterworks. During the term of its existence it laid approximately sixty-five miles of new pipes. It never furnished pure and wholesome water, although under obligation to do so. Nor did it confine itself to the charges to which it was limited by its charter, nor did it at any time lay water pipes through all of the inhabited streets of New Orleans. The result was that in the year 1899, there were about four hundred miles of inhabited streets without any water supply whatever. The legislature, in 1898, appointed a committee to investigate its affairs, and as a result of the investigation, adopted a resolution authorizing the attorney general to bring a suit to forfeit the charter and franchises, which latter gave the company a monopoly of the water supply of New Orleans for fifty years from the 1st of April, 1878.

On the 6th of November, 1901, the Supreme Court of Louisiana rendered a final decree, forfeiting the charter and all the franchises of the said company.¹ This judgment became final and executory by a refusal for a rehearing on the 3d of February, 1902. On the 4th of November, 1901, a bill was filed in the United States Circuit Court by an English subject, owning one hundred

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and twelve thousand of the second mortgage bonds. The bill recited the decree of forfeiture rendered by the Supreme Court of Louisiana, and claimed that the decree of forfeiture of the charter should not affect the rights of the bondholders. The corporation and its officers consenting, the judge of the United States Circuit Court appointed a receiver, who took charge of the plant, and since then has been operating it. There is, however, no franchise, and the receiver is able to sell water only because people must have it. When the municipal plant described further on is completed, the New Orleans Waterworks Company will not furnish water to anyone, and its plant will be almost worthless.

Since the appointment of the receiver, the rates have, by order of court, been fixed at those established by city ordinance and the charter granted the company. So successful has his administration been, or as some have it, so high have been the rates, that the receiver has, in addition to operating expenses, been able to pay some sixty thousand dollars for legal expenses, one hundred and ten thousand dollars of floating indebtedness, and six hundred and forty-five thousand dollars of mortgage bonds, with accrued interest, all the time paying dividends on the capital stock.

The sad tale of official ineptitude and inefficiency displayed by the municipal authorities who conducted the waterworks while the city was the owner; the manipulation by which the city has in some way disposed of all the stock it held except about four thousand shares, the failure of the corporation to live up to its obligation to furnish pure water, to extend its mains, etc., is told more or less fully in the opinion of the Supreme Court of our state, in the case of the State of Louisiana *v.* New Orleans Waterworks Company², rendered in November, 1901. Its recital here would hardly prove interesting or of service, except as the "horrible example" at a prohibition meeting may be of service. I may add that a public-spirited lawyer of this city—Benjamin R. Forman—has done more than any one else to relieve the city of the burdensome franchise which the waterworks company held.

Municipal Ownership of Water, Sewerage and Drainage Plants.—I now come to a phase of municipal activity of considerable interest to the student of city life and progress. The City of New Orleans is at present engaged in constructing its drainage,

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sewerage and water plants and is to operate them as departments of the municipality. Because of the peculiar topographical condition, there is no natural drainage. There had been some effort to drain by the construction of drainage canals and pumping stations, but the effort was not successful, and until 1896 no general system had been devised. Bad as was the drainage of the city before the installation of the present system, the method for the disposal of sewage was even worse, a description of the conditions which existed and which still exist to a considerable extent would not prove of value, but, as will be seen further on, conditions are improving daily and steadily, as the sewerage system which is being built approaches completion.

The level of the territory occupied by the city is lower than either the Mississippi River at high water in front, or the storm level of Lake Pontchartrain in the rear. Against overflow from both sources the city is protected by dykes or levees, as they are locally called. The territory from the river to the lake—a distance of about seven miles—is, with the exception of two slight ridges—Metairie and Gentilly—a dead level and flow of drainage water or sewage can be secured only by giving the canals and sewers a certain incline down from the surface. When this incline has reached a certain depth below the level of the starting point, the water or sewage is raised by powerful pumps and again started on its downward journey until, in the case of the drainage water it is finally pumped into Lake Pontchartrain, and in the case of sewage into the Mississippi River.

Early in 1893, the city council had adopted ordinances under which topographical surveys had been ordered, and the city engineer had been directed to prepare a complete and comprehensive plan for the drainage of the city. Later an advisory board of engineers was named, other changes were made in the personnel, and in 1895 there was presented to the city council a plan for the drainage of the city. This problem, under the advice of engineers, was always treated separately from sewerage, because of the peculiar topographical situation.

At its session in the spring of 1896, the legislature of the state created a drainage commission to take charge of the drainage of the city, and provided certain revenues with which to carry out any system which should be adopted. This board adopted the

plan prepared under the ordinance of the city council, by which it was proposed to drain the city of rain and other surface waters. A considerable part of the system has been built and under the management of the board, conditions have been vastly improved. The unsightly open gutter has largely disappeared, giving way to subsurface drainage, and where formerly the ground was so thoroughly saturated with water, that—except on the ridges already mentioned—the dead were laid away in tombs, erected above ground, we now find it possible and practical to build underground cellars ten or twelve feet deep.

As yet, however, nothing had been done to improve sewerage conditions and to give the city a supply of more and better water than was being furnished by the "New Orleans Waterworks Company." A movement in that direction was inaugurated in 1898, the immediate cause being the yellow fever epidemic of 1897. The ordinary taxes levied by the city were not sufficient to meet the probable outlay, and under the law, special taxes could not be imposed without submitting the question to the taxpayers. The law further provided that the city council must submit the issue to the taxpayers, whenever a petition for the purpose, signed by not less than one-third of the taxpayers was presented to it.

In April, 1899, such a petition was presented, and it contained provisions for the rate of the special tax, the term during which it should endure—all as provided by law—and it further provided that the water and sewerage system should be constructed by a board. The council ordered the election of the board and the special tax was voted by an overwhelming majority of taxpayers. The tax authorized was two mills on the dollar for a term of forty-three years. It was manifest that the work could not be undertaken if the fund at the disposal of the board was to be collected in instalments extending over a period of forty-three years. It was therefore proposed to fund the tax—that is, issue bonds the payment of which both in principal and interest would be met by the two mill tax. To do this it was necessary to have the sanction of the general assembly of the state.

The governor called a special session in 1899, the necessary legislation was passed, and to avoid any possible doubt of the validity of the bonds the issue was subsequently submitted to the people of the entire state for ratification, in the form of an

amendment to the constitution. The water and sewerage board was constituted, elaborate plans were prepared, the bonds issued, and construction of the water and sewerage plant begun. In 1902, the drainage commission was merged into the "Water and Drainage Board" and drainage, sewerage and water supply are all now administered by that authority.

Originally it was believed that sixteen million dollars in addition to the amount already spent by the drainage commission would suffice but this was soon found inadequate, and the amount has been increased to twenty-four million dollars, to be spent on the water supply and sewerage plant, and to complete the system of drainage. The board is composed of seven commissioners, appointed by the mayor, with the consent of the council from the seven municipal districts, the mayor himself and several other officers being ex-officio members of the board.

At present the sewerage system is more than half built. Gradually,—as yet but slowly,—house connections are being made with the sewers, where the work has progressed sufficiently, but this branch of the work cannot be actively pushed until the waterworks plant is completed. Work on this is also progressing steadily, and the end of the year may witness the beginning of operations by the municipal water plant. The source of supply is the Mississippi River. The water has been declared wholesome by high authority. Extensive reservoirs and an elaborate filtration plant have been provided, to rid the water of the large amount of sand and other impurities which the Mississippi River carries, and the people are assured that an ample supply of clear and pure water will be furnished.

As yet it is too soon to say, that this experiment in municipal ownership has been demonstrated a success, but it may be said that the board consists of men of the highest character, who serve without compensation, that the work so far done, has been done well, without the slightest intimation of graft or favoritism or politics, and, since it is but fair to judge the future by past achievements, the people of the City of New Orleans may confidently look forward to success in this important experiment in ownership by the public of utilities which, in their very nature, are monopolistic and therefore properly the subject of public and not private exploitation.

All this means much for New Orleans. We have a delightful climate. We are too far south for severe cold weather, and the temperature in summer is moderated by the breezes from the Gulf of Mexico. Compare the temperature of New Orleans with that of other large cities in the United States, and almost daily you will find it several degrees less. With our city paved, drained and sewered, with a plentiful supply of pure and wholesome water, no city in the United States is superior as a place of human habitation.

Along its front the Mississippi River for many miles furnishes a harbor unsurpassed anywhere. The network of rivers which flow into the Mississippi, and the Mississippi itself, as well as the numerous railroads which center in the city, make it the natural port of entry for the export and import commerce of the Mississippi Valley. Nature has done its share for the Crescent City; if its inhabitants come up to their civic obligations New Orleans is certain to become one of the great cities of the world.